

BARCLAYS OFFICIAL CALIFORNIA CODE OF REGULATIONS
TITLE 10. INVESTMENT
CHAPTER 7. BUSINESS, TRANSPORTATION AND HOUSING AGENCY:
SMALL BUSINESS LOANS AND GUARANTEES

ARTICLE 1. DEFINITIONS

ARTICLE 2. LOAN GUARANTEES

s 5000. Definitions.

In addition to the definitions contained in Corporations Code section 14010, the following supplemental definitions shall govern the construction of this chapter:

(a) "Allocation" and "Allocated" mean the process of disbursing appropriated Expansion Fund moneys to a Corporation's trust fund account, except for Allocations for areas affected by a state of emergency or a disaster, which shall be disbursed pursuant to Corporations Code section 14037.6. The Allocation process is described in subsections 5070(a) through (c).

(b) "Application" means all of the information required by a Lender or Surety in order to determine whether to offer a Borrower a Loan, or a Principal a Bond.

(c) "Bond" means an obligation in writing concerning the construction or service work of Principal, binding the Surety to pay certain sums upon the occurrence of specified events connected to the payment of sums due by the Principal pursuant to a payment bond, and the obligation to complete the construction or service work, pursuant to a performance bond.

(d) "Bond Guarantee" means a Guarantee which promises the payment of all or a portion of a Claim.

(e) "Bond Line" means a specified amount and term of Bond Guarantee authority which Principal is authorized to apply against any Bond with a specified Surety during the term of the Bond Line.

(f) "Borrower" means an eligible business which has received a commitment for a Loan, or has prepared an Application. In order to be an "eligible business, the business must be either:

(1) a "Small Business" as defined in part 121 of chapter 1 of title 13 of the Code of Federal Regulations as amended;

(2) a Farm Enterprise; or

(3) a business located within an enterprise zone, as defined in subdivision (d) of

section 7072 of the Government Code.

(g) "Claim" means a request for payment by a Surety made to a Corporation because of Surety's Loss under a Bond or ILOC secured by a Guarantee, pursuant to section 5010 or 5015.

(h) "Collateral" means those personal and business assets of the Borrower or Principal and guarantor subject to a lien under the Loan or Bond.

(i) "Collection Guarantee" means a Guarantee of a specified percentage of net Loan principal and ninety (90) days interest at the same percentage. "Net Loan principal" as used in this paragraph means the amount of Loan principal remaining outstanding after the Lender has fully complied with the collection procedures in section 5004.

(j) "Corporate Contract" means a contract executed exclusively between the Agency and any individual Corporation.

(k) "Default" means either a delinquency which has not been cured within ninety (90) days, or that the Borrower is in bankruptcy.

(l) "Delinquency" means the failure of the Borrower to make any payment when due, pursuant to the terms of the Loan, except for any principal payment due at the maturity of the Loan.

(m) "Demand" means a request for payment by a Lender to a Corporation pursuant to section 5003 or by a Surety to a Corporation pursuant to section 5015.

(n) "Encumbrance" means a Corporation's outstanding Guarantee balance plus the Farm Loan balance on all Guarantees and Farm Loans in effect. The Guarantee effective date is the date of the executed Guarantee agreement.

(1) The Guarantee balance is calculated as follows:

(A) For a Term Loan, the Guarantee balance is calculated as the outstanding loan balance times the Guarantee percentage.

(B) For a Line of Credit Loan, the Guarantee balance is calculated as the amount of the line times the Guarantee percentage.

(2) The Farm Loan balance is calculated as 40% of the outstanding Loan balance loaned from a trust fund account for the purpose of Farm Loans.

(o) "Farm Enterprise" means the business of producing crops, livestock products and aquatic organisms through the utilization and management of land, water, labor, capital, and basic raw materials including seed, feed, fertilizer, and fuel.

(p) "Farm Loan" means a loan as defined in section 5110(g).

(q) "Guarantee" means a written agreement to warrant the repayment of a portion of a Loan or payment of all or a portion of a Claim, with repayment from the Corporation's trust fund account. Every Guarantee of a Loan shall be either a Collection Guarantee or Loan Guarantee.

(r) "Goals" means the number of Loans a Corporation expects to Guarantee and the number of Farm Loans a Corporation expects to make during a specified period of time. A Corporation's Goals shall be specified in the Corporate Contract and shall be used by the Agency to establish the maximum amount of Expansion Fund moneys to be allocated to a Corporation.

(s) "Holder" means the person or entity purchasing up to ninety percent (90%) of the Loan pursuant to article 3.

(t) "ILOC" means an irrevocable letter of credit issued by a Corporation as Collateral for a Bond and which complies with the requirements set forth in section 5014.

(u) "Law" means the California Small Business Financial Development Corporation Law.

(~~v~~) "Lender" means a banking organization, including national banks and trust companies and state chartered commercial banks, savings and loan associations, credit unions, state insurance companies, mutual insurance companies, and other banking, lending, retirement, and insurance organizations, authorized to conduct business in California.

(~~w~~) "Leverage" means the calculation where the numerator is the Encumbrance and the denominator is the Corporation's trust fund account balance.

(~~x~~) "Line of Credit Loan" means a Loan for a term not to exceed one year, except for a Farm Enterprise Loan which shall have a term not to exceed two years, where the minimum repayment is structured as interest only during the term of the Loan.

(~~y~~) "Loan" means a Loan or supplier credit extended by a Lender to a Borrower, which is guaranteed pursuant to section 5002, and which is either a Term Loan, a Micro Loan, a Line of Credit Loan, or a Revolver Loan.

(~~yz~~) "Loan Guarantee" means a Guarantee of a specified percentage of Loan principal and ninety (90) days interest at the same percentage.

(~~z~~aa) "Loss" means any net monetary damages incurred by a Surety arising out of a Claim, or in pursuing the Surety's rights under the indemnity agreement. As used in this subsection, "net monetary damages" means loss payments, completion costs, reasonable attorneys fees, and reasonable out of pocket consultant fees, costs, and expenses, minus

amounts recovered by the Surety from any source, including Collateral. The determination of such loss will take into account amounts recovered, but excluding reinsurance. As used herein, "indemnity agreement" means the written agreement whereby Principal agrees to reimburse Surety for any Loss.

(bb) "Master Agreement" means a contract executed between the Agency and one or more Corporations to implement the operating provisions of any of the programs established under the Law.

(acc) "Micro Loan" means a Term Loan not to exceed twenty-five thousand dollars.

(bdd) "Multi-party Contract" means a contract executed between the Agency and one or more Corporations for the payment of a fee to the Corporations for completing Loan Guarantees and Farm Loans in excess of the Goals described in each Corporation's Corporate Contract.

(eee) "Principal" means an eligible business which has received a commitment for a Bond. In order to be an eligible business, the business must be either:

(1) a "Small Business" as defined in part 121 of chapter 1 of title 13 of the Code of Federal Regulations, as amended; or

(2) a business located within an enterprise zone, as defined in subdivision (d) of section 7072 of the Government Code.

(dff) "Proposal" means a written application to become a Corporation submitted to the Agency, and containing the information set forth in section 5061.

(egg) "Proposer" means the persons or entity submitting a Proposal to the Agency.

(fhh) "Remedial Action Plan" means a written set of specifications, with corresponding dates, time frame, designed to correct the problems which resulted in the Suspension Notice or Withdrawal Notice to a Corporation.

(ggi) "Revolver Loan" means a Line of Credit Loan which converts to a Term Loan after one year.

(hjj) "Surety" means an insurance company licensed by the California Department of Insurance, and authorized to conduct business in California.

(ikk) "Suspension" means that a Corporation is no longer registered with the Secretary of State as a small business development corporation and shall not enjoy any of the benefits of a small business development corporation.

(jll) "Temporary Withdrawal" means a limited term suspension of a Corporation's powers to execute Guarantees as long as the Temporary Withdrawal is in effect.

| (~~k~~mm) "Term Loan" means a Loan with regularly scheduled reductions in principal balance.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14002, 14010, 14028, 14036, 14037.6, 14038, 14041, 14071 and 14071.5, Corporations Code.

ARTICLE 9. FARM LOANS

s 5110. Farm Loan Definitions.

In addition to the definitions set forth in Section 5000 of these regulations, and section 14010 of the Corporations Code, the following definitions apply to article 9:

(a) "Authorized Farm Costs" means the costs incurred by a Farm, including:

(1) Operating and production expenses, including the purchase, construction or repair of buildings, machinery, equipment and storage and drying facilities, the purchase of animals, seed and fertilizer, the purchase of real estate and the costs of improvement or repairs thereto.

(2) Costs associated with the purchase of real estate, including easements and rights-of-way to establish or enlarge a Farm.

(3) Costs associated with water development, soil conservation, forestation, drainage, pollution abatement and related measures.

(4) Disaster losses including actual losses incurred in connection with disaster damaged or destroyed farm property or production enterprises, or both, including annual operating and production expenses, construction and improvement of buildings and facilities, and land and water development.

(5) Refinancing debt including the costs associated with the issuance of such debt and lender fees and charges, where the debt to be refinanced was incurred for Authorized Farm Costs. No costs set forth in this clause shall be authorized unless the Farm Lender shall certify that, in the Farm Lender's opinion, sufficient collateral or cash flow exists to reasonably preclude the chance of loan losses.

(b) "Farm" means a business which is primarily engaged in producing crops, livestock products or aquatic organisms through the utilization and management of land, water, labor, capital and basic materials including seed, feed, fertilizer and fuel.

(c) "Farm Borrower" means a Farm which has applied for, or which has entered into, a Farm Borrower Agreement.

(d) "Farm Borrower Agreement" means a written loan agreement whereby the Farm Lender agrees to lend funds to the Farm Borrower to finance Authorized Farm Costs, and which includes at a minimum: a note, security agreement and loan agreement each consistent with commercial practices and containing the following:

(1) A list of Farm Borrower security for the Farm Borrower Loan and plans for at least an annual accounting for security.

(2) The Authorized Farm Costs for which loan funds shall be used.

(3) The interest rate, which shall not exceed ~~three~~four percent (34%) above the prime rate listed in the western edition of the Wall Street Journal on the date of the loan commitment.

(4) The term, which shall not exceed seven years, except for a Guaranteed Farm Borrower Loan. The term of a Guaranteed Farm Borrower Loan shall not exceed that authorized by USDA. The aggregate outstanding balance of loans with a remaining term to maturity in excess of eighty-four (84) months shall not comprise more than twenty-five percent (25%) of the Farm Lender's trust fund account assets. ~~Not more than twenty-five percent of the Farm Lender's trust fund account shall be used to make loans with a term in excess of seven years. In calculating the twenty-five percent, the numerator shall consist of that portion of Farm Lender Loans still outstanding and not sold on the secondary market; the denominator shall consist of all trust fund account assets. Both numerator and denominator shall be limited to the loans and assets of the specific Farm Lender.~~

(5) The loan amount, which shall not exceed the maximum amount allowed by the USDA.

(6) Default and Liquidation provisions which shall comply with Sections 5114 and 5115, respectively.

(7) Fees pursuant to section 5118.

(e) "Farm Borrower Loan" means a Term Loan or Line of Credit Loan from a Farm Lender to a Farm Borrower pursuant to a Farm Borrower Agreement. At least ninety percent (90%) of Farm Borrower Loans funded from the Corporation's trust fund account, calculated by dollar amount, must be guaranteed by the USDA. In determining the percentage, the numerator is the loan amount for outstanding Guaranteed Farm Borrower Loans, and the denominator is the loan amount of all outstanding Farm Borrower Loans.

(f) "Farm Lender" means a Corporation that has been approved by the USDA as a lender.

(g) "Farm Lender Credit Agreement" means a written ~~loan~~-agreement whereby the Agency agrees to lend funds to Farm Lender, for the purpose of funding Farm Borrower Loan(s). ~~The Farm Lender Agreement shall be authorized by a resolution of the Farm Lender's board of directors, and shall include the following:~~ The Farm Lender Credit Agreement may be a Master Agreement, and will include provisions that require the Farm Lender to request disbursement of loan proceeds from the Agency only after the Farm Borrower Loan(s) and respective Farm Borrower Agreement(s) have been approved and are in effect. The Farm Lender Credit Agreement will also include provisions covering the following:

(1) Security: No funds shall be disbursed except to fund a previously approved Farm Borrower Agreement assigned as security to the Farm Lender Credit Agreement. As

used in this subsection, "assigned as security" means:

(A) For a Guaranteed Farm Borrower Loan, that the Agency is the Holder, or the Guaranteed portion has been sold at par value and the proceeds have been deposited in the trust fund account ~~or the Reserve~~ from which the funds originated.

(B) For a Nonguaranteed Farm Borrower Loan, the Farm Lender Credit Agreement is secured by assignment of all notes, security agreements and similar instruments contained in the Farm Borrower Agreement.

(2) The loan amount, which shall not exceed the total amount of Farm Borrower Loans ~~that the Farm Lender reasonably expects to make in the twelve months following execution of the Farm Lender Agreement, and shall also not exceed the maximum Farm Lender Loan authorized~~ for the Farm Lender established by the Director.

(3) The interest rate, which shall be two percent (2%) below the prime rate listed in the western edition of Wall Street Journal ~~on the effective date of the Farm Loan Agreement~~ for each respective day for which funds are owed to the Agency.

(4) ~~The term, which shall not exceed the term of any Farm Borrower Agreement funded with the proceeds of the Farm Lender Agreement.~~

(5) ~~A prohibition against using loan proceeds to fund any Farm Borrower Agreement executed more than twelve months following the effective date of the Farm Lender Agreement.~~

(6) ~~Repayment terms, which shall be based upon the repayment terms in the Farm Borrower Agreement(s) funded with proceeds of~~ from the Farm Lender ~~Loan~~ Credit Agreement.

(7) ~~A requirement that ninety percent (90%) of Farm Borrower Loans funded from the Corporation's trust fund account is Guaranteed. In determining the percentage, the numerator is the loan amount for Guaranteed Farm Borrower Loans and the denominator is the loan amount of all Farm Borrower Loans. One hundred percent (100%) of Farm Borrower Loans funded from the Reserve shall be Guaranteed.~~

(h) "Farm Lender ~~Application~~ Disbursement Request" means a signed request for a Farm Lender ~~Loan or~~ disbursement of trust funds under an existing Farm Lender ~~Loan~~ Credit Agreement made in writing to the Agency by a Farm Lender in compliance with Section 5111.

(i) ~~"Farm Lender Loan" means a Term Loan or a Line of Credit Loan, evidenced by a Farm Lender Agreement and disbursed by the Agency to a Farm Lender pursuant to Section 5111 for payment to a Farm Borrower for Authorized Farm Costs pursuant to a~~

~~related Farm Borrower Agreement.~~

(ji) "Guarantee" means a signed commitment, issued by the USDA, to guarantee payment of all or part of a Farm Borrower Loan.

(kj) "Guaranteed Farm Borrower Loan" means a Farm Borrower Loan which is in whole or part subject to the Guarantee.

(hk) "Holder" means a person or an organization other than the Farm Lender who purchases all or part of the Guarantee portion of a Guaranteed Farm Borrower Loan.

(ml) "Liquidation" means the exercise of rights provided for in the event of any Default under a Farm Borrower Agreement or the related Farm Lender Credit Agreement, including the right to foreclose in accordance with the terms of any financing statement, security interest or similar instrument obtained or entered into in relation to such Farm Borrower Agreement or Farm Lender Credit Agreement.

(nm) "Nonguaranteed Farm Borrower Loan" means a Farm Borrower Loan not subject to a Guarantee.

(on) "USDA" means the United States Department of Agriculture.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070(c) & (e), Corporations Code.

s 5111. Disbursement of Farm Lender Loan Funds.
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(a) No Farm Borrower Agreement shall be executed by a Corporation until the proposed Farm Borrower Loan has been reviewed by the Corporation's loan committee and approved by its board of directors, unless the Corporation's board of directors has delegated the authority to approve a proposed Farm Borrower Loan to the Corporation's loan committee. Approval of the Farm Borrower Loan shall be evidenced by adoption of a corporate resolution approving the loan. The Corporation shall retain the resolution and the minutes of loan committee and board of directors meetings at which the loan was discussed and approved, including any conditions placed on the loan.

(b) Disbursement of loan proceeds to the Farm Lender for Farm Borrower Loans will be made only if the Farm Lender is a party in good standing to an existing Farm Lender Credit Agreement. In connection with a proposed Farm Lender Loan, the Farm Lender shall provide to the Agency a Farm Lender Application which the Agency shall review for compliance with this section. The Farm Lender Application shall either request a Farm Lender Loan or disbursement of funds pursuant to a previously approved Farm Lender Loan.

(a) Within seven (7) days of receiving a Farm Lender Application requesting a Farm Lender Loan, the Agency shall notify the Farm Lender of Farm Lender Application

approval if the requested Farm Lender Agreement is in compliance with section 5110(g).

(bc) Within ~~seventeen~~ (710) calendar days of receiving a Farm Lender Application requesting a ~~Disbursement Request for~~ funds pursuant to a previously approved Farm Lender ~~Borrower Agreement~~ Loan, the Agency shall notify the Farm Lender of disbursement approval, ~~if provided~~:

(1) Funds are available in the trust fund account of the Farm Lender ~~or, if applicable, the Reserve~~, to meet the request contained in the Farm Lender Application ~~Disbursement Request~~.

(2) The disbursement is in connection with an executed Farm Borrower Agreement which complies with section 5110(d), referred to in the remainder of this section as "Farm Borrower Loan".

(3) The disbursement request is consistent with the funding requirements of the related Farm Borrower Agreement. Evidence of the consistency consists of a budget showing amounts previously disbursed to the Farm Lender in connection with such Farm Borrower Loan, amounts of loan proceeds paid-lent by the Farm Lender to the Farm Borrower, and the date upon which it is projected that the money to be disbursed pursuant to this section shall be paid-lent by the Farm Lender to the Farm Borrower.

~~(4) A copy of the Farm Lender corporate resolution approving the Farm Borrower Loan.~~

~~(5) A copy of the Farm Lender board of directors meeting minutes approving the Farm Borrower Loan, including any loan conditions and a copy of the loan committee meeting minutes discussing the loan.~~

(d) In any case where funds are disbursed to a Corporation pursuant to a Farm Lender Disbursement Request and the Corporation has failed to comply with subsection (a), the Agency shall immediately exercise all available legal remedies to recover from the Corporation the funds disbursed pursuant to the Farm Lender Disbursement Request. ~~If the conditions set forth in subsection (a) or (b) of this Section are not met, the Farm Lender Application shall be returned by mail to the Farm Lender within seven (7) days of its receipt by the Agency, together with a statement explaining the steps necessary to meet such conditions.~~

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.

s 5112. Release of Farm Loan Funds.

(a) Farm Lender shall not ~~pay-lend~~ funds received pursuant to a Farm Lender ~~Loan~~ Credit

Agreement to a Farm Borrower without complying with the following conditions precedent:

(1) For a Nonguaranteed Farm Borrower Loan, or for a Guaranteed Farm Borrower with a loan that cannot be legally assigned or sold, assignment to the Agency of the Farm Borrower Agreement note, together with an assignment of any financing statement, security interest or similar instrument obtained or entered into pursuant to the related Farm Borrower Agreement, perfected by a UCC-1 public notice.

(2) For a Guaranteed Farm Borrower Loan:

(A) A Guarantee has been executed, and either assigned to the Agency or sold pursuant to section 5116, and

(B) A certification by the Farm Lender that it has complied with or has taken all actions which are in its opinion necessary to comply with any conditions precedent to the issuance of such Guarantee required by USDA; provided, however, that for the purposes of this section, payment of funds to the Farm Borrower shall not be deemed to be such a condition.

(b) Farm Lender shall provide evidence of compliance with subsection (a) to the Agency within seven (7) days of ~~the payment~~ disbursement of funds to a Farm Borrower.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.

s 5113. Accounting and Reporting.
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(a) Farm Lender shall establish an account which shall be used solely to record disbursements and repayments for Farm Borrower Loans and Farm Lender Loans. The account shall have separate sub-ledgers which shall correspond to each specific Farm Lender Credit Agreement and Farm Borrower Agreement. Funds shall only be withdrawn from Farm Lender Credit Agreement sub-ledgers for subsequent payment to a Farm Borrower, for payments to the trust fund account ~~(or Reserve)~~ or upon written authorization of the Agency. Funds shall only be withdrawn from Farm Borrower Agreement sub-ledgers for payments to the trust fund account ~~(or Reserve)~~, to the Holder or upon written authorization of the Agency.

(b) The Farm Lender shall reconcile the two sets of sub-ledgers monthly. One set shall consist of all activities for each Farm Borrower Loan, including payment and repayment information. Farm Lender shall maintain these reconciliations at its principal place of business. The second reconciliation shall consist of all Farm Lender Loan activity. Farm Lender shall mail these reconciliations to the Agency monthly.

(c) All records established and maintained in connection with the account and its sub-

ledgers shall be available upon reasonable notice for audit by the Agency or its designee, and shall be maintained for a three (3) year period following the expiration of the related Farm Lender Credit Agreement or Farm Borrower Agreement.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.

s 5114. Defaults.

(a) A Default ~~under~~ of a Farm Borrower Agreement shall be a default of outstanding trust fund account funds under the related Farm Lender Credit Agreement. Farm Lender shall provide the Agency with written notice that a Default has occurred within fourteen (14) days of either failure by the Farm Borrower to make payment at loan maturity or filing for bankruptcy by Farm Borrower.

(b) With respect to a Default on a Guaranteed Farm Borrower Loans, the procedures to be followed by a Farm Lender shall be those specified by USDA. If no such procedures exist, the procedures specified in subsection (c) shall apply.

(c) With respect to a Default on a Nonguaranteed Farm Borrower Loans, the procedures to be followed by a Farm Lender shall be set forth in the Farm Borrower Agreement and the related Farm Lender Credit Agreement, and shall include the following:

(1) A meeting shall be arranged by the Farm Lender with the Farm Borrower upon occurrence of a Default in order to resolve the problem. Actions taken by the Farm Lender ~~shall~~ may include, the following:

(A) Deferment of principal payments.

(B) An additional temporary loan by the Farm Lender to bring the account current.

(C) Reamortization of or rescheduling the payments on the loan.

(D) Reorganization.

(E) Subsequent loan guarantees.

(F) Changes in the interest rate, upon approval of the Agency.

(2) The Farm Lender shall negotiate in good faith in an attempt to resolve any problem to permit the Farm Borrower to cure a Default; provided that, in the opinion of the Farm Lender, the proposed resolution is economically feasible.

(3) If, within ninety (90) days following receipt by the Agency of the notice provided for in subsection (a), the Farm Lender ~~shall be~~ is unable to resolve to its satisfaction

any Default, then Farm Lender shall institute Liquidation proceedings.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.

s 5116. Sale of the Guaranteed Portion of the Farm Borrower Loan.

Farm Lender is authorized to negotiate the sale of the Guaranteed portion of the Farm Borrower Loan, if allowed by law, together with the Guarantee, to third parties. The sale shall result in the receipt by the Farm Lender of a sum no less than the outstanding balance owed on the Guaranteed portion of the Farm Borrower Loan being sold. The Farm Lender shall deposit the funds received into the Reserve ~~or trust fund account~~ from which the ~~originating Farm Lender Loan loan~~ funds were disbursed.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.

s 5117. Payments.

(a) Payments received from repayment of a Farm Borrower Loan shall be allocated to Farm Lender, trust fund account ~~(or Reserve)~~ and, if applicable Holder, based upon the percentage ownership of the Farm Borrower Loan. Therefore, if the Holder owns 90% and the trust fund account owns the remaining 10%, then the principal and interest payments are divided 90/10, except that the portion of the interest owed the trust fund account ~~(or Reserve)~~ shall be based upon the Farm Lender Credit Agreement interest rate (two points below prime) and not the Farm Borrower Agreement (three points above prime). Payment shall be received by the trust fund account ~~(or Reserve)~~ and if applicable Holder within forty-five (45) days of the Farm Lender receiving the funds from Farm Borrower.

(b) The Agency shall periodically audit Farm Lender's calculation of interest and principal owed under Farm ~~Loan~~ Lender Credit Agreements, and send written notice to Farm Lender specifying any error in the calculation, and the amount of the discrepancy. If the letter specifies that Farm Lender owes additional funds, Farm Lender shall pay funds to the appropriate ~~fund~~ ~~(trust fund account or Reserve)~~ within seven days of receiving the letter from the Agency. If the letter specifies that Farm Lender paid more than was owed, Farm Lender shall apply the overpayment to the next payment due to the Agency.

(c) Any sum disbursed to the Farm Lender pursuant to section 5111 and not ~~paid~~ lent to ~~farm~~ Farm Borrower within six (6) months from the date of such disbursement shall be repaid by Farm Lender within five (5) working days of notification by the Agency, and

the Farm Lender shall have no further rights with respect to such funds.

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.

s 5119. Use of Reserve Funds.

~~(a) A Farm Lender shall be authorized to use the Reserve as a source of funding for Farm Lender Agreements upon compliance with the following:~~

~~(1) The funds will be used for a Guaranteed Farm Borrower Loan for which the Farm Lender has stated in writing that it has a good faith belief that the loan will be sold at par on the secondary market within ninety days of the date of disbursement by the Agency.~~

~~(2) Only the Guarantee portion will be funded from the Reserve.~~

~~(b) The Farm Lender shall repay the Reserve in full not later than one hundred days following disbursement of Reserve funds if Reserve funds were not repaid in full. If funds are available, Farm Lender shall be authorized to repay funds from its trust fund account.~~

Note: Authority cited: Section 14024, Corporations Code. Reference: Sections 14067 and 14070, Corporations Code.